

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA**

In re:

Bky. No. 03-35458

ASTROCOM CORP

Chapter 11

Debtor.

**MODIFIED PLAN OF REORGANIZATION
FOR ASTROCOM CORPORATION
DATED JULY 26, 2004**

Astrocom Corporation hereby proposes the following plan of reorganization for Debtor pursuant to chapter 11 of the United States Bankruptcy Code.

ARTICLE 1

DEFINITIONS AND INTERPRETATION

- 1.1 Interpretation and Rules of Construction. Words and terms used in the Plan shall have the meanings given to them in the Bankruptcy Code unless otherwise defined in this Plan. The rules of construction in Section 102 of the Bankruptcy Code apply to construction of the Plan.
- 1.2 Definitions. The capitalized terms used herein shall have the respective meanings set forth below.
- (a) "Administrative Convenience Claim" shall mean an Allowed General Unsecured Claim which is \$500 or less; provided, however, that any holder of an Allowed General Unsecured Claim which would not be an Administrative Convenience Claim may elect to have its Claim treated as an Administrative Convenience Claim by electing to reduce its claim to \$500 and by so specifying on its Ballot.
- (b) "Distribution Date," when used with respect to each Claim, shall mean as soon as practicable after the later of (i) the Effective Date or (ii) the first Business Day of the next calendar month after the date upon which the Claim becomes an Allowed Claim, unless the Claim becomes an Allowed Claim within fifteen (15) days before the first Business Day of the next calendar month, in which case the Distribution Date shall be the first Business Day of the next succeeding calendar month.
- (c) "Effective Date" means, and shall occur on, the first (1st) Business Day immediately following the later of (a) fifteen (15) calendar days after the Confirmation Date and (b) the first (1st) date upon which all of the conditions to occurrence of the Effective Date contained in Article 9 of this Plan have been satisfied or waived by the Debtor; provided, however, that the Effective Date may occur at a point in time when the Confirmation Order is not a Final Order at the sole option of the Debtor and the New Investor Group unless the effectiveness of the Confirmation Order has been stayed or vacated, in which case the Effective Date shall be the first (1st) Business day immediately

following such date as is fifteen (15) calendar days following the expiration or other termination of any stay of effectiveness of the Confirmation Order; and, further provided, that the Effective Date shall not occur until all of the conditions to occurrence of the Effective Date set forth in Article 9 of this Plan have been satisfied or waived by the Debtor, but in any event, the Effective Date will be no later than December 31, 2004.

(d) "Equity Interests" means "Old Common Stock" and all warrants and options to acquire "Old Common Stock."

(e) "New Astrocom" means the debtor as of the Effective Date, as reorganized pursuant to the terms of this Plan, which shall continue to do business from and after the Effective Date as "Astrocom Corporation" under its current charter from the Minnesota Secretary of State.

(f) "New Investor Group" shall mean those creditors who will receive New Common Stock to be issued by Debtor pursuant to the Plan.

(g) "Old Common Stock" shall mean the shares of Astrocom Common Stock issued and outstanding prior to the Effective Date, including any shares of Common Stock issued upon the timely exercise of options or warrants on or before the Effective Date. As of May 20, 2004, Debtor had 26,448,943 shares of Common stock outstanding.

ARTICLE 2

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

2.1 Claims and Equity Interests Classified. For purposes of organization, voting, and all Plan confirmation matters, except as otherwise provided herein, all Claims (except for Administrative Claims and Priority Non-Tax Claims) and all Equity Interests shall be classified as set forth in Section 2.3 of the Plan.

2.2 Administrative Claims and Priority Tax Claims. As provided by Section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims against Debtor or its bankruptcy estate shall not be classified for purposes of voting or receiving distributions under the Plan. Rather, all such claims shall be treated separately as unclassified claims on the terms set forth in Article 5 of the Plan.

The Debtor has paid all ordinary business expenses according to their terms and will continue to do so after confirmation of the plan. The only other administrative expense claim incurred by the debtor is the fees and costs of its bankruptcy counsel for representation in this case. Fees and costs to date are approximately \$15,000, of which approximately \$12,000 have been paid from the Debtor's cash on hand. It is expected that total fees and costs through confirmation will be approximately \$20,000. The balance owing can be paid from Debtor's cash on hand.

2.3 Claims and Equity Interests. The Plan classifies the Claims and the Equity Interests as follows:

- (a) Class 1 - Priority Non-Tax Claims;
- (b) Class 2 - Secured Claims;
- (c) Class 3A- General Unsecured Claims greater than or equal to \$5,000;
- (d) Class 3B General Unsecured Claims less than \$5,000;

- (e) Class 4 - Administrative Convenience Claims;
- (f) Class 5 - Equity Interests

ARTICLE 3

IDENTIFICATION OF IMPAIRED CLASSES OF CLAIMS AND EQUITY INTERESTS

- 3.1 Unimpaired Classes of Claims and Equity Interests. Class 1 Priority Non-Tax Claims and Class 4 Administrative Convenience Claims are not impaired under the Plan.
- 3.2 Impaired Classes of Claims and Equity Interests. With the exception of the unimpaired classes specified in Section 3.1, all classes of Claims and Equity Interests are impaired under the Plan.
- 3.3 Impairment Controversies. If a controversy arises as to whether any Claim or Equity Interest, or any class of Claims or class of Equity Interests, is impaired under the Plan, the Bankruptcy Court shall determine such controversy after notice and a hearing.

ARTICLE 4

PROVISIONS FOR TREATMENT OF CLASSES OF CLAIMS AND EQUITY INTERESTS

- 4.1 Claims and Equity Interests. The classes of Claims against and Equity Interests in Debtor shall be treated as follows:
 - (a) Class 1 – Priority Non-Tax Claims. Each holder of a Priority Non-Tax Claim against Debtor shall receive on the Distribution Date (i) the amount of such holder's Allowed Claim in one Cash payment; or (ii) such other treatment as may be agreed upon in writing by Debtor and such holder. See Exhibit "C" for a list of all Class 1 Creditors.
 - (b) Class 2 – Secured Claims. Each Secured Note Holder shall receive on the Distribution Date, in full satisfaction of the Secured Claim, one and one half (1 ½) shares of New Common Stock for each dollar of Secured Note Holder Claim. See Exhibit "B" for a list of all Class 2 Creditors. The Secured Notes are secured by all of the Company's assets which have an estimated liquidation value of approximately \$134,512. (See Exhibit "A" of the Disclosure Statement "Liquidation Analysis").
 - (c) Class 3A – General Unsecured Claims Greater than or Equal to \$5,000. Each holder of a General Unsecured Claim, in the amount greater than or equal to five thousand dollars (\$5,000), shall receive on the Distribution Date, in full satisfaction of its Allowed Claim, one share of New Common Stock for each dollar of its Allowed Claim. Class 3A consists of approximately 28 Creditors and totals approximately \$333,582.
 - (d) Class 3B – General Unsecured Claims Less than \$5,000. Each holder of a General Unsecured Claim, in the amount less than five thousand dollars (\$5,000) shall receive on the Distribution Date, in full satisfaction of its Allowed Claim, a note for the amount of its claim, the form of which is attached as Exhibit "A" to this Plan. The note will pay interest of one and one half percent (1 ½%) interest annually and will provide for the New Astrocom to repay the

amount owed over a one (1) year period with monthly payments commencing one year following the Distribution date. Class 3B consists of approximately 23 Creditors and totals approximately \$53,000.

- (e) Class 4 – Administrative Convenience Claims. Each holder of an Administrative Convenience Claim shall receive on the Distribution Date, in cash, in full satisfaction of its Allowed Claim, an amount equal to its Allowed Claim not to exceed \$500.00. Total Administrative Convenience Claims are estimated to be \$3,434.
- (f) Class 5 –Equity Interests. There will be no distribution to holders of Equity Interests under the Plan. All Equity Interests will be cancelled.

ARTICLE 5

PROVISIONS FOR TREATMENT OF UNCLASSIFIED CLAIMS

- 5.1 Administrative Claims. Each holder of an allowed Administrative Claim, estimated to total \$3,434, (except any such holder that agrees to different treatment) shall receive the Allowed Amount of such holder's allowed Administrative Claim, in cash, in full satisfaction, settlement, release, extinguishment and discharge of such claim, on the Distribution Date; provided, however, that allowed Administrative Claims representing (a) postpetition liabilities incurred in the ordinary course of business by the Debtor and (b) postpetition contractual liabilities arising under loans or advances to the Debtor, whether or not incurred in the ordinary course of business, shall be paid by the Reorganized Debtor in accordance with the terms and conditions of the particular transactions relating to such liabilities and any agreements relating thereto.

Treatment of Priority Tax Claims. Each holder of an Allowed Priority Tax Claim against Debtor shall receive payment in full, in cash, on the Effective Date. The Debtor has paid all ordinary business expenses according to their terms and will continue to do so after confirmation of the plan. The only other administrative expense claim incurred by the debtor is the fees and costs of its bankruptcy counsel for representation in this case. Fees and costs to date are approximately \$15,000, of which approximately \$12,000 have been paid from the Debtor's cash on hand. It is expected that total fees and costs through confirmation will be approximately \$20,000. The balance owing can be paid from Debtor's cash on hand.

- 5.2 US Trustee Fees. Fees payable by Debtor to the Office of the United States Trustee under 28 U.S.C. § 1930, as determined by the Court at the hearing on confirmation of this Plan, will be paid in full on the Effective Date. In addition, following confirmation, the Debtor will timely pay all fees incurred pursuant to 28 §§1930(a)(6) and will file with the Court and serve on the U.S. Trustee a monthly financial report in the prescribed format, for each month or part thereof that the Case remains open.

ARTICLE 6

PROVISIONS OF EQUITY INSTRUMENTS ISSUED PURSUANT TO PLAN

- 6.1 New Common Stock. Provisions applicable to New Common Stock to be issued by New Astrocom shall be as set forth in the amended and restated Articles of Incorporation of Astrocom Corporation subject to the following:

- (a) Authorization. The Articles of Incorporation shall be amended and restated to authorize the issuance of 20,000,000 shares of New Common Stock; and, pursuant thereto, New Astrocom shall issue approximately 3,200,000 shares on the Distribution Date in accordance with the Plan.
- (b) Par Value. New Common Stock shall have par value of \$.01 per share.

ARTICLE 7

ACCEPTANCE OR REJECTION OF PLAN

- 7.1 Classes Entitled to Vote. Each impaired class of Claims shall be entitled to vote separately to accept or reject the Plan. Holders of Unimpaired classes of Claims are not entitled to vote. Holders of Equity Interests are deemed to have rejected the Plan pursuant to 28 U.S.C. § 1126 (g).
- 7.2 Class Acceptance Requirement. A class of Claims shall have accepted the Plan if it is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims of such class that votes on the Plan.
- 7.3 Cramdown. The Debtor requests that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code.

ARTICLE 8

MEANS FOR IMPLEMENTATION OF PLAN

- 8.1 Creation of the Post-Confirmation Board of Directors. As of the Effective Date, the Board of directors of New Astrocom will consist of the following five (5) directors:

Duane S. Carlson-Director

Gary L. Deaner-Director

Douglas M. Pihl-Director

Marius O. Poliac-Director

Ronald B. Thomas – Director, Chief Executive Officer and President
- 8.2 Articles of Incorporation. Articles of Incorporation shall be amended and restated to conform to the provisions of this Plan and shall prohibit the issuance of nonvoting equity securities as required by Section 1123(a)(6) of the Bankruptcy Code.
- 8.3 Cancellation of Equity Interests and Issuance of Stock. On or as soon as practicable after the Effective Date, the following transactions shall occur in the following order:
 - (a) The cancellation, annulment and extinguishment of all Equity Interests; and
 - (b) The issuance, distribution and transfer by New Astrocom of the New Common Stock in accordance with the terms of this Plan.
- 8.4 Assumption of Liabilities. The liability for and obligation to make the distributions required under the Plan shall be assumed by New Astrocom.

- 8.5 Effectuating Documents. On or before the Effective Date, Debtor will file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.
- 8.6 Avoidance Actions. Confirmation of the Plan shall constitute a waiver by New Astrocom of any and all causes of action assertable by Debtor pursuant to Sections 547, 548, 549 or 550 of the Bankruptcy Code.
- 8.7 Management. Management as of the Effective Date will continue to manage New Astrocom until such time as the new board of directors determines otherwise.

ARTICLE 9

CONDITIONS PRECEDENT TO CONFIRMATION AND EFFECTIVENESS

- 9.1 Conditions to Confirmation. Confirmation of the Plan shall not occur unless each of the following conditions have been satisfied:
- (a) Disclosure Statement. The Bankruptcy Court shall have approved the Disclosure Statement in a Final Order.
 - (b) Confirmation Order. The Bankruptcy Court shall have made such findings and determinations regarding this Plan as shall enable the entry of the Confirmation Order, and any other order entered in conjunction therewith, in form and substance acceptable to the Debtor.
- 9.2 Conditions to Effectiveness. Notwithstanding any other provision of this Plan or the Confirmation Order, the Effective Date of this Plan shall not occur unless and until each of the following conditions has been satisfied:
- (a) Final Confirmation Order. The Confirmation Order and such related orders shall have become a Final Order.
 - (b) Corporate Documents. Any applicable corporate documents necessary or appropriate to the implementation of this Plan shall have been executed, delivered and, where applicable, filed with the appropriate governmental authorities.
 - (c) United States Trustee's Fees. The fees of the United States Trustee for the District of Minnesota then owing by the debtor shall have been paid in full.

ARTICLE 10

PROVISIONS GOVERNING DISTRIBUTIONS

- 10.1 Date of Distributions. Except as otherwise provided for herein or as may be ordered by the Bankruptcy Court (a) Any distributions and deliveries to be made under the Plan shall be made on the Distributions Date; and, (b) Distributions and deliveries to be made on a Distribution Date shall be deemed made on the Distribution Date if made on the Distribution Date or within ten (10) days after the Distribution Date,
- 10.2 Means of Cash Payment. Cash payments made pursuant to the Plan shall be by check drawn on a domestic bank or by wire transfer from a domestic bank.

- 10.3 Calculation of Distribution Amounts of Securities. No fractional shares of New Common Stock shall be issued. Debtor shall make such adjustments as are necessary to avoid the issuance of fractional shares of the New Common Stock. If a Claim would otherwise entitle the holder thereof to a fractional share of the New Common Stock, such Claim shall, solely for purposes of calculating the number of Shares of New Common Stock to be distributed to the holder of such Claim, be rounded down to the highest lesser amount entitling such holder to an integral number of shares of New Common Stock.
- 10.4 Delivery of Distributions. Subject to Bankruptcy Rule 9010, distributions and deliveries to holders of Allowed Claims and Allowed Equity Interests shall be made at the address of each such holder as set forth on the proofs of claim or proofs of interest filed by such holders (or at the last known addresses of such holders if no proof of claim or interest is filed or if Debtor has been notified of a change of address). If any holder's distribution is returned as undeliverable no further distribution to such holder shall be made unless and until New Astrocom is notified of such holder's then current address, at which time all missed distributions shall be made to such holder without interest.
- 10.5 Unclaimed Distributions. If, at the time of any Distribution under the Plan, the creditor holding the Allowed Claim to be distributed thereunder is not at the address given to Debtor, the property involved shall be held by Debtor subject to such creditor's Claim. Such property shall be distributed as follows:
- (a) If the Creditor holding the Allowed Claim shall be found before 30 days prior to the Final Distribution, then such property shall immediately be delivered to such Creditor.
 - (b) All distributions remaining unclaimed 30 days prior to the Final Distribution shall become (i) the property of New Astrocom in the case of cash and (ii) shares of New Common shall become cancelled shares of New Astrocom.

ARTICLE 11

TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

- 11.1 Rejected If Not Assumed. The Plan constitutes and incorporates a motion by Debtor to reject all executory contracts and unexpired leases to which Debtor is a party, except for any contract or lease that shall be assumed or rejected pursuant to Final Order of the Bankruptcy Court or (b) is the subject of a motion to assume or reject that is filed with the Bankruptcy Court not later than five (5) Business Days before the date when the Ballot is due. The Confirmation Order shall represent and reflect an order of the Bankruptcy Court approving such assumptions and rejections as of the Effective Date.
- 11.2 Bar to Rejection Damages. If the rejection of an executory contract or unexpired lease by Debtor results in damages to the other party or parties to such contract or lease, the Claim for such damages, if not heretofore evidenced by a filed proof of claim, shall be forever barred and shall not be enforceable against New Astrocom or its properties unless a proof of claim is filed with the Bankruptcy Court and served upon counsel for Debtor within thirty days after entry of the Confirmation Order.

ARTICLE 12

RETENTION OF JURISDICTION

13.1 Retention of Jurisdiction.

- (a) The Bankruptcy Court shall retain and have exclusive jurisdiction over the Chapter 11 Case for purposes (i) through ix) below:
 - (i) To determine any and all objections to and proceeding involving the allowance, estimation, classification, and subordination of Claims or Equity Interests;
 - (ii) To determine any and all applications for allowances of compensation and reimbursement of expenses and any other fees and expenses authorized to be paid or reimbursed under the Bankruptcy Code or the Plan;
 - (iii) To determine any applications pending on the Effective Date for the rejection or assumption and assignment, as the case may be, of executory contracts or unexpired leases to which Debtor is a party or with respect to which Debtor may be liable, and to hear and determine, and if need be to liquidate, any and all Claims arising therefrom;
 - (iv) To determine any and all applications, adversary proceeding, and contested or litigated matters that may be pending on the Effective Date.
 - (v) To consider any modifications of the Plan, remedy any defect or omission or reconcile any inconsistency in any order of the Bankruptcy Court, including the confirmation Order, to the extent authorized by the Bankruptcy Code;
 - (vi) To determine all controversies, suits, and disputes that may arise in connection with the interpretation, enforcement, or consummation of the Plan or any Person's obligations hereunder;
 - (vii) To consider and act on the compromise and settlement of any Claim against or cause of action by or against Debtor's estate;
 - (viii) To issue such orders in aid of execution of the Plan to the extent authorized by Section 1142 of the Bankruptcy Code; or
 - (ix) To determine such other matters as may be set forth in the Confirmation Order or which may arise in connection with the Plan, the Confirmation Order, the Effective Date or the Distribution Date.
- (b) If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of or relating to this Chapter 11 Case, this section shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

Dated: July 26, 2004

Respectfully submitted,

ASTROCOM CORPORATION

By /s/ *Ronald B. Thomas*

Ronald B. Thomas
Chief Executive Officer and
President
3500 Holly Lane North, Suite 60
Minneapolis, Minnesota 55447

Exhibit "A" to
Plan of Reorganization
For Astrocom Corporation
Form of Promissory Note

SUBORDINATED PROMISSORY NOTE

Plymouth, Minnesota
_____, 2004

FOR VALUE RECEIVED, Astrocom Corporation (the "Company") promises to pay to the order of _____, or any permitted successor or assign (the "Lender"), at _____, or any other place subsequently designated by the holder hereof, in lawful money of the United States of America, the principal sum of _____ (\$_____) Dollars, or so much thereof as may have been advanced to or for the benefit of the undersigned and remains unpaid from time to time, together with interest thereon (calculated on the basis of actual days elapsed in a 365-day year) at an annual rate of one and one half (1 1/2%) percent.

Maturity Date. If not sooner paid in accordance with the terms hereof, the principal balance hereunder, together with all unpaid interest accrued thereon, shall be due and payable, in full, on December 31, 2006 (hereinafter called "Maturity Date").

Transferability. If this Note is transferred, any assignee or transferee of this Note by acceptance thereof, represents and warrants that the acquisition of this Note is for investment and without any view to the distribution thereof and that, except with respect to any permitted assignment, such assignee has no intention of selling or otherwise transferring this Note.

Acceleration of Maturity. If the Company shall fail to make any payment when due hereunder and such failure shall continue for ten (10) or more days after the Lender gives written notice thereof to the Company, the Lender may, at its option, demand immediate repayment in full of the indebtedness evidenced by this Note.

Payments. Interest of one and one half percent (1 1/2%) per annum on unpaid principal balance of this Note shall commence to accrue on the date hereof and shall accrue thereafter on any unpaid balance until the Note has been paid in full. This Note shall be paid in twelve (12) monthly installments, consisting of one twelfth (1/12) of the original principal balance plus accrued interest then due, such monthly installments to commence one (1) year following the date of this Note. The company may prepay this Note in part or in full without penalty of interest.

Subordination. This Note may, at the discretion of the Company's Board of Directors, be subordinated to the rights of any existing or future Creditor of the Company.

Amendment. No amendment, modification or waiver of any provision of this Note shall be effective unless the same shall be in writing and signed by the Company and the holder hereof.

No Waiver. Failure or delay of the Lender to enforce any provision of this Note shall not be deemed a waiver of any such provision, and the Lender shall not be prevented from enforcing any such provision at a later time. Any waiver by the Lender of any provision hereof must be expressed and must be in a writing signed by the Lender. Any such waiver shall be effective only in a specific instance and for the specific purpose for which it was given.

Cumulative Remedies. The remedies provided in this Note are cumulative and not exclusive of any remedies provided by law.

Governing Law; Severability. The terms of this Note shall be governed by and construed in accordance with the laws of the State of Minnesota. Any term hereof which is deemed unenforceable shall not affect the enforceability of any other term hereof.

ASTROCOM CORPORATION

By _____

Its _____

3500 Holly Lane, #60

Plymouth, MN 55447

**Exhibit "B" to Plan of Reorganization
For Astrocom Corporation**

Secured Note Holders

	Note plus interest
Merle L. Durby and Blanche Durby	\$10,762.74
Joseph & Carol Farmer	\$21,525.48
Norman Fletcher	\$10,762.74
Steve Gessner and Carol Gessner	\$21,525.48
Harry Goldenberg	\$10,762.74
S. Albert D. Hanser	\$26,906.85
Kenneth E. King	\$10,762.74
Kurt J. King	\$10,762.74
Mary Lach	\$10,762.74
Lee A. Levine	\$16,144.11
Eugene C. Mathey	\$10,762.74
Richard P. Maves	\$10,762.74
A.J. McDonald, III	\$10,762.74
Michael McHugh and Sharon McHugh	\$10,762.74
Robert Odegard and Carolyn Odegard	\$10,762.74
Daniel Thums and Catherine Thums	\$10,762.74
Harold G. Wahlquist	\$10,762.74
Ron Thomas (Roth)	\$53,813.70
IndustriCorp & Co. FBO T.C. Carpenters	\$53,813.70
Katherine D. Townsend Ltd Partnershi	\$10,762.74
Rogness Family Trust	\$10,762.74
Levine & Staller, PA	\$10,762.74
Marius Poliac	\$108,054.79
Post Holdings	\$54,027.40
Les & LeAnn Rogness Family Trust	\$10,762.74
Leigh Severance	\$52,515.07
TOTAL	\$591,293.15

**Exhibit "C" to Plan of Reorganization
For Astrocom Corporation
Priority non-tax Claims**

Vendor	Priority portion of Claim
BOARD OF EQUALIZATION	131.06
BRAD PEARSON	\$4,650.00
ADRIAN M. CORBULEANU	\$432.60
CORNELIU BOAC	\$432.60
GERALD FINGAL	\$4,615.00
JEFF BIRNBAUM	\$864.00
JOHN BUCHER	\$3,500.00
RON THOMAS	\$4,650.00
TAC ENTERPRISES, INC.	\$440.40
TERRY STRIPSKY	\$1,146.60
THOMAS DUGGLEBY	\$288.40
TOTAL	\$21,019.60